



# A1 Ott

State Representative • 3rd Assembly District

## **AB 13**

### **State Tax Exemption for Well Compensation Grant Program Funds**

**Assembly Committee on Ways and Means**

**April 2, 2009**

Thank you for the opportunity to testify on Assembly Bill 13 (AB 13), which provides that grant money received under the Department of Natural Resources (DNR) Well Compensation Grant Program is exempt from state income tax.

Under current law, funds received under the DNR Well Compensation Grant Program are subject to both state and federal income tax.

These grants are used to reimburse homeowners for the replacement of wells exceeding health related state or federal drinking water standards for contaminants. Grants may also be awarded for the proper abandonment of unused wells, which often act as direct conduits for groundwater contamination. The funds are targeted to assist low to medium income households in replacing contaminated wells or properly abandoning unused wells. The Well Compensation Grant Program is funded under the Environmental Management Account.

To be eligible for the program, household income cannot exceed \$65,000. If the annual household income of the claimant exceeds \$45,000, the amount of the award is prorated to be reduced by 30% of the amount by which the claimant's income exceeds that level.

The grant may cover up to 75% of the cost of well replacement or abandonment with grant awards capped at \$9,000. Additionally, the program requires a \$250 co-payment for well replacement. Homeowners who receive the maximum grant award generally still incur significant out-of-pocket costs to replace their well and ensure they have access to potable water.

AB 13 exempts any funds received from the Well Compensation Grant Program from Wisconsin state income tax.

Providing an income tax exemption for funds received under this program would help alleviate some of the financial burden of families needing to replace a contaminated well. In addition, it would further encourage the proper abandonment of unused wells. The grant amount will still be subject to federal income tax.

According to a fiscal estimate provided by the Department of Revenue, the fiscal impact of AB 13 would be a reduction of about \$12,000 in state revenue annually.

Thank you for your time. I would be happy to answer any questions you may have on AB 13.



**COOK & FRANKE S.C.**  
ATTORNEYS AT LAW

 MERITAS LAW FIRMS WORLDWIDE

**Testimony in Support of Assembly Bill 13  
Assembly Ways & Means Committee  
Thursday, April 2, 2009**

**Submitted on Behalf of the Wisconsin Water Well Association**

Chairman Ziegelbauer and members of the Assembly Ways & Means Committee,

I am sorry that I could not be with you at today's hearing on Assembly Bill 13, which deals with an individual income tax subtract modification for amounts received from the well contamination and abandonment compensation program. On behalf of the Wisconsin Water Well Association, I submit the following written testimony in support of AB 13.

The well contamination and abandonment compensation program provides financial assistance to replace, reconstruct or treat contaminated water supplies and to abandon wells that pose a hazard to public health and safety. As a result of this program, we have seen a reduction in the number of wells that might otherwise be left untreated.

It is important to remember that a well is a conduit from the groundwater to the surface, but it is also a conduit from the surface to the groundwater. Any well (or any drill hole that breaches the groundwater supply system) that is not properly drilled, or properly repaired, or properly abandoned creates a potential risk not only to the property using that well, but to the groundwater being used by adjacent properties as well.

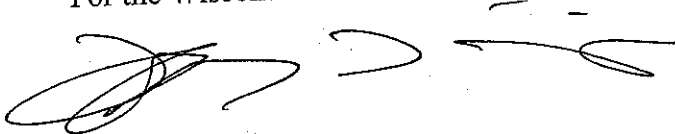
In those instances where a property owner has applied for and received a grant, the amount of the grant is currently being taxed by both the federal government and the State of Wisconsin. AB 13 would allow for the amount of the grant to be subtracted from the recipient's Wisconsin income.

Because eligibility for the well contamination and abandonment compensation program is subject to income limits, taxing the grant may produce an unintended burden on the recipient. Taxing the grant may also discourage others from applying (and, therefore, undermine the intent of the program because a well is left in disrepair).

If there are questions regarding AB 13, the well contamination and abandonment compensation program, well repairs and/or abandonment, the State's groundwater system, or the well drilling industry in Wisconsin, we encourage you to contact us.

Thank you,

For the Wisconsin Water Well Association:



Jeffrey J. Beiriger, CAE  
Government Relations Advisor  
660 East Mason Street  
Milwaukee, WI 53202  
(414) 227-1202  
[Beiriger@cf-law.com](mailto:Beiriger@cf-law.com)

Wisconsin Water Well Association  
P.O. Box 565  
Prairie du Chien, WI 53821  
(608) 875-2062